

## Message Text

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E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: IEA: NOTE BY SLT CHAIRMAN ON DEVELOPMENT OF  
ALTERNATIVE ENERGY RESOURCES

1. FOLLOWING IS CHAIRMAN'S SUMMARY REPORT CIRCULATED  
BY SECRETARIAT TO ALL DELEGATIONS. DEPARTMENT MAY WISH  
TO RETRANSMIT TO ALL INTERESTED ADDRESSEES AFTER  
VERIFYING ITS ACCURACY. IN INTEREST OF SAVING TIME,  
ANNEXES HAVE NOT BEEN TRANSMITTED, SINCE THEY ARE  
ALREADY AVAILABLE IN DEPARTMENT:

2. BEGIN TEXT:

1. THE STANDING GROUP, BASING ITS WORK ON THE  
CONCLUSIONS OF THE THIRD MEETING OF THE GOVERNING BOARD  
(IEA/GB(75)8), EXAMINED POSSIBLE MEANS OF COOPERATION  
TO STIMULATE THE DEVELOPMENT OF ALTERNATIVE ENERGY  
SOURCES. THE DISCUSSION TOOK PLACE WITH THE UNDER-  
STANDING THAT ALL DELEGATIONS WERE EXPRESSING PRE-  
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LIMINARY VIEWS, AND THAT THE FACT THAT DELEGATIONS DID

NOT DISSENT OR ASSENT TO PARTICULAR POINTS DID NOT  
MEAN THAT THEY MIGHT NOT HAVE COMMENTS AT A LATER STAGE.

2. THE STANDING GROUP DISCUSSED FIVE ELEMENTS  
WHICH COULD BE BASED ON A COORDINATED SYSTEM:

(1) A GENERAL MEASURE OF COOPERATION AIMED AT  
STIMULATING INVESTMENT IN CONVENTIONAL NUCLEAR AND  
FOSSIL FUEL SOURCES THROUGH OFFERING A COMMON MINIMUM  
LEVEL OF PROTECTION. THIS PROTECTION SHOULD REDUCE TO  
A COMMERCIALY ACCEPTABLE LEVEL THE FINANCIAL RISK THAT  
SUCH ENERGY SOURCES MIGHT HAVE TO COMPETE AGAINST  
POTENTIALLY LESS EXPENSIVE IMPORTS OF OIL FROM OUTSIDE  
THE IEA AREA;

(2) COOPERATION IN PROVIDING SPECIFIC MEASURES  
OF ASSISTANCE TO STIMULATE INVESTMENT IN ENERGY ON A  
PROJECT-BY-PROJECT BASIS;

(3) COOPERATION IN ENERGY RESEARCH AND  
DEVELOPMENT, INCLUDING JOINTLY FINANCED PROJECTS  
INVOLVING THE POOLING OF NATIONAL RESEARCH AND  
DEVELOPMENT EFFORTS;

(4) A SERIES OF GENERAL COMMITMENTS OR UNDER-  
TAKINGS BY PARTICIPATING COUNTRIES WHICH MIGHT COVER  
SUCH MATTERS AS ACCESS TO SUPPLY AND MARKETS FOR ENERGY  
PRODUCTION DEVELOPED UNDER SPECIFIC AND/OR GENERAL  
MEASURES OF COOPERATION, THE AVOIDANCE OF PRICE DIS-  
CRIMINATION WITHIN THE AREA, AND PRODUCTION TARGETS;  
AND

(5) A PROCEDURE FOR SYSTEMATIC REVIEW OF THE  
ENERGY DEVELOPMENT PROGRAMMES OF PARTICIPATING COUNTRIES  
AGAINST COMMON CRITERIA.  
GENERAL MEASURES

3. THE STANDING GROUP EXAMINED POSSIBLE MODALITIES  
OF APPLICATION AND PROS AND CONS OF GENERAL MEASURES  
DESIGNED TO PROVIDE A COMMON LEVEL OF PRICE PROTECTION  
FOR INVESTMENT IN CONVENTIONAL NUCLEAR AND FOSSIL FUEL  
SOURCES WITHIN THE IEA.

(1) DEFICIENCY PAYMENTS: IN FAVOUR OF THIS  
SYSTEM IT WAS ARGUED THAT IT WAS FLEXIBLE; AND THAT IT  
COULD BE APPLIED DIRECTLY WHERE IT WAS NEEDED AND COULD  
PROVE EFFICACIOUS IN STIMULATING PRODUCTION. HOWEVER,  
THE GENERAL SENTIMENT OF THE STANDING GROUP WAS AGAINST  
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DEFICIENCY PAYMENTS, AND NUMEROUS ARGUMENTS AGAINST  
THEM WERE ADVANCED, SUCH AS:

- A LARGE BUREAUCRACY WOULD BE NEEDED TO  
ADMINISTER A DEFICIENCY PAYMENT SCHEME;
- IT MIGHT TAKE A LONG TIME TO ORGANIZE ANY  
SUBSTANTIAL INVESTMENT ON THESE LINES;
- THE SCHEME WOULD NOT PREVENT THE RESURGENCE  
OF HIGH CONSUMPTION IF AND WHEN THE OIL PRICE

DROPPED;

- PUBLIC FUNDS WOULD HAVE TO FIND THE MONEY.

(2) FLOOR PRICE: DISCUSSION ON FLOOR PRICE

REFLECTED VIEWS THAT IT WOULD BE A COMMITMENT NOT TO  
ALLOW IMPORTED OIL TO BE SOLD IN DOMESTIC MARKETS BELOW  
A CERTAIN PRICE LEVEL. THAT PRICE LEVEL WOULD COVER  
THE COST OF A LARGE PART OF CONVENTIONAL FOSSIL AND  
NUCLEAR ENERGY BUT NOT THE WHOLE COST OF HIGH-COST  
CONVENTIONAL RESOURCES, TAR SANDS' SYTHETIC FUELS, OR  
NUCLEAR POWER INVOLVING ADVANCED TECHNOLOGY. FLOOR

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PRICE, THUS UNDERSTOOD, ATTRACTED PRO AND CON ARGUMENTS  
AS FOLLOWS:

PROS: - ALL DOMESTIC INVESTORS COVERED AGAINST A

DROP IN OPEC PRICES;

- RAPID PROTECTION;

- A FLOOR PRICE WOULD SUPPORT THE CONSERVATION OBJECTIVE OF THE IEA, DEPENDING ON THE LEVEL OF THE FLOOR PRICE;
- IT WOULD BE A VISIBLE SIGN OF SOLIDARITY IN THE AGENCY;

CONS: - IT MIGHT CAUSE OPEC TO KEEP UP ITS PRICES AND, TO THAT EXTENT, WOULD WEAKEN THE NEGOTIATING POSITION OF THE CONSUMER COUNTRIES;

- THE PRICE COULD CAUSE DISTORTIONS IN INTERNATIONAL TRADE;
- THE SYSTEM WOULD FAVOUR THE ENERGY-RICH AS OPPOSED TO THE ENERGY-POOR COUNTRIES (E.G., LIMITED OFFICIAL USE

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PRODUCERS IN ENERGY-RICH COUNTRIES MIGHT ACQUIRE WINDFALL PROFITS BY EXPLOITING A CHEAP SOURCE OF ENERGY AND COULD BE A HEAVY (INDIRECT) BURDEN ON THE BALANCE OF PAYMENTS IF THE WORLD OIL PRICE FELL SUBSTANTIALLY BELOW THE LEVEL OF THE FLOOR PRICE.

3. SOME DELEGATIONS NOTED THAT, TO THE EXTENT THAT GENERAL MEASURES OF SUPPORT ARE SUCCESSFUL IN REDUCING THE INTERNATIONAL PRICE OF OIL, THOSE COUNTRIES THAT HAVE DEVELOPED ENERGY RESOURCES AT COSTS ABOVE RESULTING INTERNATIONAL PRICES, AND THEREFORE CONTRIBUTED TO AN INCREASE IN WORLD SUPPLY, WILL EXPERIENCE A COMPETITIVE DISADVANTAGE VIS-A-VIS THOSE COUNTRIES IMPORTING SUBSTANTIAL VOLUMES OF LESS EXPENSIVE OIL. IT WAS RECOGNISED THAT THE SEVERITY OF THE DISADVANTAGES MIGHT BE DIRECTLY RELATED TO THE LEVEL OF THE FLOOR PRICE AND TO THE MECHANISM CHOSEN TO MAINTAIN THAT LEVEL.

4. SEVERAL DELEGATIONS EXPRESSED CONCERN AS TO POSSIBLE REPERCUSSIONS OF A FLOOR PRICE FOR OIL ON PRICES FOR OTHER ENERGY PRODUCTS AND, INDEED, FOR OTHER COMMODITIES IN GENERAL. IT WAS ALSO POINTED OUT THAT THERE COULD BE ADVERSE REPERCUSSIONS ON THEIR EXPORT POTENTIALITIES VIS-A-VIS NON-IEA COUNTRIES USING CHEAPER ENERGY. DELEGATIONS NOTED THAT THE HIGHER THE FLOOR PRICE FIXED THE GREATER WILL BE THE LEVEL OF DISTORTION OF TRADE, AND THE MORE WILL BE THE NEGATIVE EFFECT ON OPEC PRICING POLICIES AND ON THE ECONOMIC DEVELOPMENT OF IEA COUNTRIES.

5. THE STANDING GROUP THOUGHT FURTHER STUDY WOULD BE NEEDED TO REFINE THE CONCEPT OF FLOOR PRICE (FOR INSTANCE, WERE FOB OR CIF PRICES IN QUESTION?), TO ASSESS ITS IMPACT ON BALANCE OF COST AND BENEFITS AND THEREFORE TO SUGGEST THE PRECISE LEVEL OF PRICE WHICH MIGHT BE APPROPRIATE IN ORDER TO PROTECT THE PRODUCTION COSTS. IN THE LATTER CONNECTION, THE STANDING GROUP

CALLED ON ALL COUNTRIES WHICH HAD NOT YET DONE SO TO  
SUPPLY AS FULL COST DATA AS POSSIBLE ABOUT THEIR  
ALTERNATIVE SOURCE PROJECTS AND INVITED ITS AD HOC  
GROUP ON ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY  
RESOURCES TO PURSUE WORK ON THE DEVELOPMENT OF A  
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POSSIBLE SUPPLY CURVE. THE MECHANISM FOR MAINTAINING  
THE FLOOR PRICE SHOULD ALSO BE STUDIED. IT WAS POINTED  
OUT THAT THE CHOICE OF MEASURES MIGHT RAISE IMPORTANT  
TRADE POLICY QUESTIONS AND THAT EXPERT ADVICE WAS  
NEEDED TO AVOID MISUNDERSTANDINGS REGARDING THE RESPECT  
FOR INTERNATIONAL RULES AND OBLIGATIONS TO WHICH IEA  
COUNTRIES ADHERE. SOME DELEGATIONS URGED THE  
POSSIBILITY OF USING FLEXIBLE NATIONAL MEASURES, FOR  
INSTANCE THE LEVEL OF CUSTOMS DUTIES, AS A MECHANISM  
FOR MAINTAINING FLOOR PRICE.

(3) TARIFFS: THE FOLLOWING PROS WERE DEVELOPED  
IN FAVOUR OF TARIFFS ON IMPORTED OIL:

- SUCH TARIFFS WOULD BE A STIMULUS TO THE  
PRODUCERS TO CUT THEIR PRICES;
- TARIFFS WOULD BRING MONEY INTO GOVERNMENTS  
RATHER THAN INVOLVING THEM IN EXPENDITURE.

HOWEVER, THE GENERAL SENTIMENT OF THE STANDING GROUP  
WAS AGAINST TARIFFS, AND NUMEROUS CON ARGUMENTS WERE  
OFFERED ON THE OTHER SIDE, SUCH AS:

- A TARIFF ON IMPORTED OIL COULD BE UNDERSTOOD  
BY OPEC COUNTRIES AS AN ACT OF CONFRONTATION;
- THERE MIGHT BE CONFLICT WITH THE GATT.
- THE EFFECTS ON CONSERVATION AND THE  
DEVELOPMENT OF ALTERNATIVE SOURCES WERE  
DIFFICULT TO FORESEE AND MIGHT NOT BE  
POSITIVE.

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6. SEVERAL DELEGATIONS NOTED THAT A COMMON TARIFF WOULD NOT BE AN APPROPRIATE MEASURE UNLESS IT WERE LINKED WITH A CERTAIN LEVEL OF TRIGGER PRICE, AND THAT A COMMON TARIFF WITH A TRIGGER PRICE WOULD BE VERY SIMILAR TO A FLOOR PRICE MECHANISM. AS ALREADY NOTED, TARIFFS APPLIED ON A NATIONAL BASIS COULD BE ONE MECHANISM FOR SUPPORTING A FLOOR PRICE.

SPECIFIC MEASURES

7. SPECIFIC MEASURES WERE UNDERSTOOD BY THE STANDING GROUP AS BEING MEASURES DESIGNED TO HELP INDIVIDUAL PROJECTS. SEVERAL DELEGATIONS INDICATED THAT SUCH MEASURES WHICH COULD BE APPLIED TO BOTH LOW- AND HIGH-COST PROJECTS COULD BE REQUIRED TO COMPLEMENT GENERAL MEASURES BOTH IN TERMS OF REDUCED DEPENDENCE GOALS AND IN TERMS OF THE OVERALL EQUITY OF THE SYSTEM. OTHER DELEGATIONS URGED THAT SPECIFIC MEASURES WERE TO BE PREFERRED IN PRINCIPLE TO GENERAL MEASURES, FOR LIMITED OFFICIAL USE

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INSTANCE ON GROUNDS OF FLEXIBILITY. TWO DELEGATIONS URGED THAT SPECIFIC MEASURES BE APPLIED FIRST TO LOWER-COST ENERGY PROJECTS AS A MEANS OF ENCOURAGING LOWER ENERGY PRICES IN GENERAL. ONE OR MORE MODELS OF COOPERATION MIGHT PROVIDE INCENTIVES FOR, OR FACILITATE, SELECTED PROJECTS. SCHEMES FOR THE REALISATION OF CONCRETE PROJECTS WERE PUT FORWARD AS FOLLOWS:

(1) INSURANCE FACILITY: THE DANISH DELEGATION ADVANCED A SCHEME FOR AN INSURANCE FACILITY (SEE

ANNEX I). PRELIMINARY COMMENTS IN THE STANDING GROUP REFLECTED MUCH INTEREST IN THE DANISH SCHEME AND A MEASURE OF SUPPORT FOR IT. HOWEVER, A NUMBER OF DOUBTS AND CRITICAL OBSERVATIONS WERE ALSO EVOKED. IT WAS SUGGESTED THAT THE SCHEME MIGHT STIMULATE UNDESIRABLE INVESTMENT IN PROJECTS WHICH ARE NOT REALLY WORTHWHILE.

PROS: - IT WOULD STIMULATE DESIRABLE PRODUCTION BY PROVIDING SECURITY FOR SELECTED PROJECTS;  
- IT WOULD BE A FLEXIBLE INSTRUMENT, WHICH COULD RESPOND TO CHANGING MARKET CONDITIONS;  
- IT WOULD IN PRINCIPLE BE AN ATTEMPT TO LIMIT CONTRIBUTIONS TO CURRENT ACTIVITIES AS THE FACILITY SHOULD BE BASED ON AN INSURANCE PRINCIPLE;

CONS: - IT WAS NOTED THAT THE SYSTEM COULD POSE DIFFICULTIES FOR GOVERNMENTS IN VIEW OF THE NEED TO COMMIT POSSIBLE FUTURE CONTRIBUTIONS OF FUNDS OF AN UNDETERMINED MAGNITUDE;  
- SOME DELEGATIONS EXPRESSED RESERVATIONS AS TO WHETHER THE IEA ACTIVITIES IN THIS AREA WOULD BE SUFFICIENTLY BROAD TO SPREAD THE RISK OF AN INSURANCE FACILITY.

(2) JOINT INTERNATIONAL ENERGY BANK: THE TURKISH DELEGATION ADVANCED A SCHEME FOR A JOINT INTERNATIONAL ENERGY BANK TO REALISE LOW PRICE ENERGY PROJECTS AS A PRIORITY WITH THE AIM OF OBTAINING A GENERAL PRESSURE IN THE WORLD ENERGY MARKETS TOWARDS DECREASING THE ENERGY PRICES AND ENCOURAGING A LOW EQUILIBRIUM PRICE LEVEL (SEE ANNEX II). THE DELEGATION URGED THAT THE QUESTION OF FINANCING NEW PROJECTS WOULD BE MORE EASILY SOLVED, AT LEAST FOR THE MOMENT, ON A PROJECT-BY-PROJECT BASIS THAN THROUGH A GENERAL LIMITED OFFICIAL USE

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MECHANISM.

PROS: - IT COULD HELP TO REMOVE FINANCIAL CONSTRAINTS WHICH ARE NOT DIRECTLY ADDRESSED BY GENERAL MEASURES, BY SUPPLEMENTING NATIONAL CAPITAL MARKETS;  
- IT COULD PROVIDE AN ADDITIONAL DIMENSION OF COOPERATION AND THEREBY CONTRIBUTE FURTHER TO CONSUMER SOLIDARITY;

CONS: - IT COULD REQUIRE FINANCIAL COMMITMENT BY PARTICIPATING GOVERNMENTS;  
- IT COULD REQUIRE POTENTIALLY COMPLEX ADMINISTRATIVE MACHINERY.

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(3) GENERAL CONSORTIUM FOR THE DEVELOPMENT OF ENERGY:  
THE UNITED STATES DELEGATION ADVANCED A PROPOSAL FOR  
DISCUSSION WHICH WAS DESIGNED TO PROVIDE AN OVERALL  
FRAMEWORK FOR COOPERATION BY MEMBER COUNTRIES ON SPECIFIC  
PROJECTS. (SEE ANNEX III). THE PROPOSAL WOULD PROVIDE  
AN UMBRELLA ARRANGEMENT, SETTING FORTH GUIDING PRINCIPLES  
UNDER WHICH INDIVIDUAL COOPERATION PROJECTS COULD BE  
CARRIED OUT. IT WOULD NOT BE A COMMON FINANCING INSTRU-  
MENT. THE CONSORTIUM COULD BE AN INSTRUMENT TO FACILI-  
TATE THE DEVELOPMENT OF PROJECTS NOT ONLY ABOVE THE  
LEVEL OF COMMON PRICE PROTECTION BUT LOWER-COST PROJECTS  
AS WELL. THE TITLE OF THE CONSORTIUM AS WELL AS THE  
PREAMBLE SHOULD BE ADJUSTED. UNDER THE UMBRELLA OF THE  
CONSORTIUM, A NUMBER OF SPECIAL CONSORTIA COULD BE  
CREATED FOR SELECTED PROJECTS WITH DIFFERENT PARTICIPANTS.  
THE FINANCIAL ARRANGEMENT WOULD BE MADE WITHIN THE  
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FRAMEWORK OF THE INDIVIDUAL CONSORTIA.

8. A GENERAL CONSORTIUM AS SET FORTH IN A GENERAL AGREEMENT WOULD SPELL OUT THE GUIDING PRINCIPLES UNDER WHICH PARTICIPANTS IN SPECIAL CONSORTIA WOULD OBTAIN ACCESS TO RESOURCES AS WELL AS TO ADVANCED TECHNOLOGY.

9. THE OBJECTIVES OF THE US PROPOSAL RECEIVED GENERAL SUPPORT DURING DISCUSSION.

PROS: - IT WOULD SUPPLEMENT A GENERAL MEASURE OF PRICE PROTECTION TO FACILITATE COOPERATION IN THE DEVELOPMENT OF SPECIFIC ENERGY PROJECTS;  
- IT WOULD HAVE SUFFICIENT FLEXIBILITY TO ACHIEVE COOPERATION INVOLVING A WIDE RANGE OF FACTORS OF PRODUCTION AND TYPES OF PROJECTS;  
- IT WOULD BE A POSITIVE APPROACH TO THE PROBLEMS OF EQUITABLE SHARING OF COSTS AND BENEFITS;

CONS: - UNLESS THIS APPROACH RECEIVED STRONG POLITICAL BACKING, IT COULD BE CONSIDERED SIMPLY AS A PROCEDURAL ARRANGEMENT NOT PROVIDING ACTIVE STIMULUS TO COOPERATION.

R & D COOPERATION

10. MODALITIES FOR R & D COOPERATION WERE DISCUSSED IN A JOINT SESSION OF THE STANDING GROUP AND ITS SUB-GROUP ON ENERGY R & D. A PAPER WAS PRESENTED BY THE UNITED STATES DELEGATION ABOUT THE POSSIBLE ESTABLISHMENT OF AN IEA CONSORTIUM FOR RESEARCH AND DEVELOPMENT (SEE ANNEX IV). DURING SUBSEQUENT DISCUSSION, CONCERN WAS EXPRESSED BY SOME DELEGATIONS THAT THE ESTABLISHMENT OF A NEW ORGANIZATIONAL STRUCTURE, AS APPEARED TO BE IMPLIED BY THE US PROPOSAL, SHOULD PROCEED IN ADVANCE OF THE DEVELOPMENT OF ACTUAL R & D PROJECTS. THE US DELEGATION EXPLAINED IN REPLY THAT THE CONSORTIUM PROPOSAL WAS NOT SO MUCH AIMED AT STRUCTURAL REORGANIZATION AS AT PROVIDING A SET OF GUIDING PRINCIPLES FOR RESEARCH AND DEVELOPMENT WHICH WOULD STIMULATE THE UNDERTAKING OF JOINT PROJECTS. FURTHER, AS SEVERAL DELEGATIONS HAD NOTED, THERE WAS A POLITICAL REQUIREMENT TO DEMONSTRATE IEA SOLIDARITY IN THAT AREA AS SOON

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AS POSSIBLE.

11. THE QUESTION OF PARTICIPATION BY NON-IEA COUN-

TRIES IN R & D ACTIVITIES WAS DISCUSSED. SEVERAL DELEGATIONS EXPRESSED THEIR DESIRE TO KEEP THE DOOR OPEN FOR PARTICIPATION BY SUCH COUNTRIES IN SPECIFIC PROJECTS.

12. REGARDING PROJECTS' THE SUB-GROUP ON ENERGY R & D AGREED TO RECOMMEND THAT THE GOVERNING BOARD, AT ITS FIFTH MEETING, SHOULD TAKE A DECISION ALONG THE FOLLOWING LINES:

(1) THE FOLLOWING THREE R & D PROJECTS TO BE PROMPTLY IMPLEMENTED:

- (I) WASTE HEAT UTILIZATION;
- (II) MUNICIPAL AND INDUSTRIAL WASTE UTILIZATION;
- (III) PRODUCTION OF HYDROGEN FROM WATER.

(2) THE FOLLOWING THREE R & D PROJECTS TO BE PREPARED FOR IMPLEMENTATION BY THE END OF JUNE 1975:

- (I) COAL TECHNOLOGY;
- (II) NUCLEAR SAFETY;
- (III) RADIOACTIVE WASTE MANAGEMENT.

(3) A SET OF GUIDING PRINCIPLES FOR INTERNATIONAL R & D

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COOPERATION TO BE ESTABLISHED BY THE END OF JUNE 1975.

COMMITMENTS AMONG IEA COUNTRIES

(1) TARGETS: DISCUSSION IN THE STANDING GROUP  
ABOUT THE POSSIBLE ADOPTION BY THE AGENCY OF TARGETS FOR  
THE DEVELOPMENT OF ALTERNATIVE SOURCES REVEALED A  
GENERALLY FAVORABLE ATTITUDE TOWARDS SUCH TARGETS. TWO  
DELEGATIONS, GOING FURTHER' URGED THAT THE ESTABLISH-  
MENT OF TARGETS WAS A NECESSARY CONCOMITANT TO THE  
SUPPORT BY AGENCY COUNTRIES OF GENERAL MEASURES SUCH AS  
FLOOR PRICE. IT WAS RECOGNIZED THAT AT AN INITIAL STAGE  
THE CRITERIA AND THE METHODS OF MEASUREMENT WILL HAVE TO  
BE DEVELOPED.

13. ONE DELEGATION URGED THAT THE MOST MEANINGFUL  
TARGETS WOULD BE THOSE SET BY INDIVIDUAL COUNTRIES IN  
THE LIGHT OF THEIR OWN ENERGY POTENTIAL AND RESOURCE  
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CONSTRAINTS. THE TARGETS SET AS SUCH A BASIS WOULD BE  
ASSESSED BY THE AGENCY IN THE PROCESS OF SYSTEMATIC  
REVIEW OF NATIONAL PROGRAMS. SEVERAL DELEGATIONS ALSO  
ARGUED THAT THE DEVELOPMENT OF ENERGY RESOURCES WITHIN  
ONE COUNTRY, EVEN IF THERE WERE NO EXPORTS OF THE ENERGY  
PRODUCTS IN QUESTION, NEVERTHELESS REPRESENTED A  
DIMINUTION OF THE OVERALL DEPENDENCE OF AGENCY COUNTRIES.

(2) ACCESS TO SUPPLIES AND MARKETS: A NUMBER  
OF DELEGATIONS EMPHASIZED THE IMPORTANCE OF GUARANTEED  
ACCESS TO ENERGY PRODUCTS AND MARKETS AS A CONDITION  
THEY WOULD SEEK IF THEY WERE PARTY TO ANY SCHEME OF  
SUPPORT. A DISTINCTION WAS DRAWN BETWEEN GENERAL  
ACCESS IN THE FORM OF COMMITMENT NOT TO RESTRICT EXPORTS  
(WHICH IN THE VIEW OF SOME DELEGATIONS SHOULD BE GUARAN-  
TEED IF THERE WERE TO BE GENERAL MEASURES OF SUPPORT)  
AND ACCESS TO PRODUCTS AND MARKETS FROM INDIVIDUAL  
PROJECTS. THE CANADIAN DELEGATION DREW ATTENTION TO  
CERTAIN LEGAL RESTRICTIONS ON ENERGY EXPORTS AND THE  
RIGHTS OF PROVINCIAL GOVERNMENTS IN RESPECT OF NATURAL  
RESOURCES WHICH WOULD MAKE IT DIFFICULT FOR ANY FAR-  
RANGING GUARANTEES TO BE GIVEN. THE US DELEGATION  
SAID THAT THE UNITED STATES WAS PREPARED TO

EXPLORE IN A POSITIVE MANNER THE POSSIBILITY OF UNDERTAKING SUCH A COMMITMENT AND ALSO POINTED OUT THAT SUCH A COMMITMENT ALREADY EXISTS UNDER THE IEP WITH REGARD TO ACCESS IN CASE OF EMERGENCY. THE JAPANESE DELEGATION URGED THAT SOME COMMITMENT WITH REGARD TO ACCESS TO ENERGY INVESTMENT PROJECTS IN OTHER IEA COUNTRIES SHOULD BE A CONDITION OF AN OVERALL SYSTEM.

(3) PRICING POLICY: A NUMBER OF DELEGATIONS FAVORED A COMMITMENT BY IEA COUNTRIES NOT TO DISCRIMINATE AGAINST OTHER IEA COUNTRIES BY SELLING ENERGY DOMESTICALLY AT PRICES LOWER THAN THOSE CHARGED IN OTHER IEA COUNTRIES. SOME DELEGATIONS REFERRED TO THE DESIRABILITY OF A RECIPROCAL COMMITMENT BEING MADE BY ENERGY IMPORTING COUNTRIES. THE US DELEGATION NOTED THAT US ADMINISTRATIONS HAD PROPOSED THAT THE TWO-TIER PRICING SYSTEM IN THE UNITED STATES SHOULD BE REMOVED.

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14. IT WAS NOTED THAT THE FLOOR PRICE WOULD HAVE AN INFLUENCE ON PRICING POLICY. TWO DELEGATIONS URGED THAT THE OPERATION OF THE FLOOR PRICE WOULD ENTAIL A MECHANISM TO COUNTERACT DISTORTIONS IN PRICES AND TO GUARD

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OMB-01 SS-15 NSC-05 L-02 STR-01 TAR-01 PM-03 DODE-00

H-01 PA-01 PRS-01 USIE-00 SAM-01 FPC-01 /118 W

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AGAINST UNDULY FAVORABLE CONDITIONS FOR CONSUMERS IN ENERGY-RICH COUNTRIES. OTHER DELEGATIONS SUGGESTED THAT THE OPERATION OF A FLOOR PRICE COULD LEAD TO DISTORTIONS IN PRICES THAT WOULD BE TO THE DETRIMENT OF THOSE IEA COUNTRIES THAT HAD PRODUCED HIGH-COST ENERGY, AND THAT MECHANISMS SHOULD ALSO BE SOUGHT TO ALLEVIATE THESE DISTORTIONS. THE UK DELEGATION SAID THAT THE SECTIONS ON ACCESS AND PRICING POLICIES HAD COMPLEX IMPLICATIONS FOR PRODUCER COUNTRIES WHICH REQUIRED FURTHER EXAMINATION.

#### REVIEW OF NATIONAL PROCEDURES

15. THE STANDING GROUP NOTED THAT SUBSTANTIAL PROGRESS HAD BEEN MADE IN THE AD HOC GROUP ON ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES TOWARDS RECOMMENDING PROCEDURES AND CRITERIA FOR AN ANNUAL LIMITED OFFICIAL USE

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REVIEW. THE STANDING GROUP WAS IN FAVOR OF SUCH REVIEW, INCLUDING ITS USE AS A MEANS TO IDENTIFY PROJECTS WITHIN IEA COUNTRIES SUITABLE FOR COOPERATIVE ACTION. THERE WAS AGREEMENT THAT THE AD HOC GROUP SHOULD CONTINUE ITS WORK TO DEVELOP CRITERIA FOR THE EVALUATION OF SUPPLY ASPECTS OF NATIONAL ENERGY PROGRAMS. SOME DELEGATIONS EXPRESSED THE OPINION THAT THESE CRITERIA SHOULD INCLUDE TO THE EXTENT POSSIBLE SOME MEASUREMENT OF TOTAL ENERGY RESERVES.

16. THE STANDING GROUP AGREED THAT THE AD HOC GROUP ON ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES SHOULD MEET AGAIN TO UNDERTAKE THESE TASKS AT A TIME BETWEEN THE NEXT MEETING OF THE GOVERNING BOARD AND THE NEXT MEETING OF THE STANDING GROUP.

END TEXT.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ENERGY, TEXT, MEETING DELEGATIONS, MEETING REPORTS, INTERGOVERNMENTAL COOPERATION  
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**Copy:** SINGLE  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Reference:** n/a  
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**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 MAY 2003 by ifshinsr>; APPROVED <14 MAY 2003 by MorefiRH>  
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05 JUL 2006

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**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Subject:** IEA: NOTE BY SLT CHAIRMAN ON DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES  
**TAGS:** ENRG, OECD, IEA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006